

Redevelopment Agency of the City of San Bruno

San Bruno, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2004

Redevelopment Agency of the City of San Bruno
Basic Financial Statements
For the year ended June 30, 2004

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Redevelopment Agency of the City of San Bruno
Basic Financial Statements
For the year ended June 30, 2004

Agency Board and Other Officials

AGENCY BOARD

	<u>Term Expires</u>
Larry Franzella, Chairperson	November 2005
Irene O'Connell, Vice Chairperson	November 2007
Ken Ibarra, Member	November 2005
Chris Pallas, Member	November 2005
Jim Ruane, Member	November 2007

OTHER OFFICIALS

	<u>Position</u>
Constance Jackson	Executive Director
Mark Sullivan	Redevelopment and Housing Manager
Pamela Thompson	Agency Counsel
James O'Leary	Director of Financial Affairs
Ed Simon	Secretary

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INDEPENDENT AUDITORS' REPORT

To the Members of Governing Board
of the Redevelopment Agency of the City of San Bruno
San Bruno, California

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of San Bruno (Agency), a component unit of the City of San Bruno, California (City), as of and for the year ended June 30, 2004, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Governmental Accounting Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

The accompanying Required Supplementary Information, such as budgetary comparison information as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it. The Agency has not presented the management discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caporicci & Larson

Oakland, California
February 22, 2005

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Sacramento

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Redevelopment Agency of the City of San Bruno

Statement of Net Assets

June 30, 2004

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 1,567,309
Restricted cash and investments	653,488
Total current assets	2,220,797
Noncurrent assets:	
Land held for resale	596,761
Notes receivable	280,093
Capital assets:	
Depreciable, net	9,571,848
Total noncurrent assets	10,448,702
Total assets	12,669,499
LIABILITIES	
Current liabilities:	
Accounts payable	625,993
Interest payable	200,338
Advances from other City funds	3,545,733
Compensated absences	6,966
Due to other City funds	349,561
Payable to other agencies	280,093
Long-term debt - due within one year	165,000
Total current liabilities	5,173,684
Noncurrent liabilities:	
Long-term debt - due in more than one year	9,135,000
Total noncurrent liabilities	9,135,000
Total liabilities	14,308,684
NET ASSETS	
Investment in capital assets, net of related debt	271,848
Restricted for:	
Capital projects	1,600
Debt service	651,888
Community development	181,310
Total restricted	834,798
Unrestricted (deficit)	(2,745,831)
Total net assets	\$ (1,639,185)

See accompanying Notes to Basic Financial Statements.

Redevelopment Agency of the City of San Bruno
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2004

		Net (Expense) Revenue and Changes in Net Assets
		Primary Government Governmental Activities
Functions/Programs	Expenses	
Primary government:		
Governmental activities:		
Community development	\$ 1,167,483	\$ (1,167,483)
Interest on long-term debt	481,782	(481,782)
Total primary government	<u>\$ 1,649,265</u>	<u>(1,649,265)</u>
General revenues:		
Property tax		929,311
Investment income		8,301
Miscellaneous		5,610
Total general revenues		<u>943,222</u>
Change in net assets		(706,043)
Net assets - beginning of year, as restated (Note 9)		(933,142)
Net assets - end of year		<u>\$ (1,639,185)</u>

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FUND FINANCIAL STATEMENTS

Redevelopment Agency of City of San Bruno
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds						Total Governmental Funds
	Special Revenue		Debt Service	Capital Projects			
	Low/ Moderate			San Bruno/ Bart			
	Redevelopment	Housing	Redevelopment	Police Station	Redevelopment		
ASSETS							
Pooled cash and investments	\$ 419,014	\$ 181,310	\$ -	\$ 460,683	\$ 506,302	\$ 1,567,309	
Restricted pooled cash and investments	-	-	651,888	1,600	-	653,488	
Long term note receivable	-	280,093	-	-	-	280,093	
Due from other funds	180,957	-	-	-	-	180,957	
Land held for resale	596,761	-	-	-	-	596,761	
Total assets	\$ 1,196,732	\$ 461,403	\$ 651,888	\$ 462,283	\$ 506,302	\$ 3,278,608	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 625,993	\$ -	\$ -	\$ -	\$ -	\$ 625,993	
Due to other funds	-	-	180,957	-	-	180,957	
Advances from other City funds	1,629,000	-	-	-	1,916,733	3,545,733	
Compensated absences	6,966	-	-	-	-	6,966	
Due to other City funds	349,561	-	-	-	-	349,561	
Payable to other agencies	-	280,093	-	-	-	280,093	
Total liabilities	2,611,520	280,093	180,957	-	1,916,733	4,989,303	
Fund Balances:							
Reserved for:							
Debt service	-	-	470,931	-	-	470,931	
Capital projects	-	-	-	462,283	-	462,283	
Community development	-	181,310	-	-	-	181,310	
Unreserved, undesignated	(1,414,788)	-	-	-	(1,410,431)	(2,825,219)	
Total fund balances	(1,414,788)	181,310	470,931	462,283	(1,410,431)	(1,710,695)	
Total liabilities and fund balances	\$ 1,196,732	\$ 461,403	\$ 651,888	\$ 462,283	\$ 506,302	\$ 3,278,608	

See accompanying Notes to Basic Financial Statements.

Redevelopment Agency of the City of San Bruno
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2004

Total Fund Balances - Total Governmental Funds	\$ (1,710,695)
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Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Depreciable, net	9,571,848
Total capital assets	<u>9,571,848</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(200,338)
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Long-term liabilities - due within one year	(165,000)
Long-term liabilities - due in more than one year	<u>(9,135,000)</u>
Total long-term liabilities	<u>(9,300,000)</u>

Net Assets of Governmental Activities	\$ <u>(1,639,185)</u>
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Redevelopment Agency of the City of San Bruno
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004

	Major Funds					
	Special Revenue		Debt Services	Capital Projects		
	Low/ Moderate Redevelopment	Housing	Redevelopment	San Bruno/ Bart Police Station	Redevelopment	Total Governmental Funds
REVENUES:						
Taxes	\$ 610,944	\$ 318,367	\$ -	\$ -	\$ -	\$ 929,311
Use of money and property	-	-	4,302	3,999	-	8,301
Other	357	-	-	5,253	-	5,610
Total revenues	611,301	318,367	4,302	9,252	-	943,222
EXPENDITURES:						
Current:						
Community development	445,043	248,225	-	-	-	693,268
Capital outlay	-	-	-	55,848	144,215	200,063
Debt service:						
Principal	-	-	155,000	-	-	155,000
Interest and fiscal charges	-	-	486,303	-	-	486,303
Total expenditures	445,043	248,225	641,303	55,848	144,215	1,534,634
REVENUES OVER (UNDER)						
EXPENDITURES	166,258	70,142	(637,001)	(46,596)	(144,215)	(591,412)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	650,000	-	-	650,000
Transfers out	(650,000)	-	-	-	-	(650,000)
Total other financing sources (uses)	(650,000)	-	650,000	-	-	-
Net change in fund balances	(483,742)	70,142	12,999	(46,596)	(144,215)	(591,412)
FUND BALANCES:						
Beginning of year, as restated	(931,046)	111,168	457,932	508,879	(1,266,216)	(1,119,283)
End of year	\$ (1,414,788)	\$ 181,310	\$ 470,931	\$ 462,283	\$ (1,410,431)	\$ (1,710,695)

See accompanying Notes to Basic Financial Statements.

Redevelopment Agency of the City of San Bruno
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (591,412)
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Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions from capital outlay	55,848
Depreciation expense	(330,000)

Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government Wide Statement of Net Assets.

Long-term debt repayments	155,000
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Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from prior year.

4,521

Change in Net Assets of Governmental Activities	<u>\$ (706,043)</u>
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Redevelopment Agency of the City of San Bruno
Notes to Basic Financial Statements
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of San Bruno (City) established the Redevelopment Agency (Agency) on May 5, 1988.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

The Agency had no program revenues for the year ended June 30, 2004.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. The Agency has presented all major funds that met the applicable criteria.

Redevelopment Agency of the City of San Bruno
Notes to Basic Financial Statement, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

D. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year end are reported as reservations of fund balances.

E. Cash and Investments

The Agency pools cash resources in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Redevelopment Agency of the City of San Bruno

Notes to Basic Financial Statement, Continued

For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the governmental activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated.

Agency policy has set the capitalization threshold for reporting capital assets at the following:

General Capital Assets	\$10,000
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Depreciation is recorded on a composite basis over the percentage of the overall useful lives of the assets as follows:

Buildings	60%
Land Improvement	50%
Machinery and Equipment	50%

The Governmental Accounting Standards Board (GASB) Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The Agency did not have any infrastructure capital assets at June 30, 2004.

G. Long-Term Liabilities

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund Financial Statements, it does not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

H. Interest Payable

In the Government-Wide Financial Statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund types.

In the Fund Financial Statements, governmental fund types do not recognize the interest payable when the liability is incurred.

Redevelopment Agency of the City of San Bruno
Notes to Basic Financial Statement, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

J. Fund Balances

Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund balance to be segregated or identify the portion of the fund balance not available for future expenditures.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The following is a summary of pooled cash and investments, including cash and investments with fiscal agents, at June 30, 2004:

	Government- Wide
	Statement of Net Assets
	Governmental Activities
Pooled cash and investments	\$ 1,567,309
Restricted pooled cash and investments	653,488
Total	\$ 2,220,797

Redevelopment Agency of the City of San Bruno

Notes to Basic Financial Statement, Continued

For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

The Agency has pooled its cash and investments with the City in order to achieve a higher return on investment. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds include cash with fiscal agents.

The investments made by the City are limited to those allowable under State statutes and include the following types of investments:

Certificates of Deposit	Government Agency Securities
Bankers Acceptances	Passbook Savings Accounts
Treasury Bills and Notes	State of California Local Agency Investment Fund
Commercial Papers	Federal, State and Local Agency Bonds
Repurchase Agreements	Reverse Repurchase Agreements
Mutual Funds	Collectivized Negotiable Securities
Money Market Funds	Mortgage Backed Securities
Medium-term Notes	San Mateo County Treasurer Investment Pool

A. Cash Deposits

All pooled certificates of deposit and bank balances are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure local agency deposits by pledging first trust deed mortgage notes having a value of 150% of a local agency's deposits. The Agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

The Agency's cash deposits at year end are categorized below to give an indication of the level of credit risk assumed by the Agency.

Category 1 - Deposits which are insured by the FDIC.

Category 2 - Deposits which are collateralized. The California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities with a value of 110% of an agency's deposits, or by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits.

Category 3 - Deposits which are uninsured or uncollateralized.

Redevelopment Agency of the City of San Bruno
Notes to Basic Financial Statement, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

B. Investments

The Agency's investments at year end are categorized below to give an indication of the level of credit risk assumed by the Agency.

Category 1 - Investments which are insured by the Securities Investors Protection Corporation (SIPC), or investments which are held in definitive form by the Agency or the Agency's agent in the Agency's name, or investments acquired through the federal reserve book-entry system where the financial institution or broker/dealer associated with the purchase is adequately segregated from the custodial safekeeping agent on the same investments, and where the investments are recorded on the books and records of the financial institution or broker/dealer in the name of the Agency.

Category 2 - Investments which are uninsured, where the investments are acquired through a financial institution's investment or trading department, but are held in the same financial institution's trust department and are recorded in the Agency's name in the trust department's systems and records.

Category 3 - Investments which are uninsured, 1) where the investments are acquired through a financial institution's investment department but are held for custodial purposes in the same financial institution's safekeeping department, or 2) where the investments are acquired through a financial institution's trust department, and held for custodial safekeeping by the same trust department, or 3) where the investments are acquired through, and held for safekeeping by, the same broker/dealer, or 4) where investments are not held in the Agency's name in the systems and records of the financial institution or broker/dealer.

The Agency had no risk Category 2 or Uncategorized investments.

At June 30, 2004, the Agency's pooled cash and investments classified by risk category consisted of the following:

	Category 1	Category 3	Fair Value
Pooled Cash and Investments:			
Cash deposits	\$ 1,567,309	\$ -	\$ 1,567,309
Restricted Pooled Cash and Investments	-	653,488	653,488
Total	\$ 1,567,309	\$ 653,488	\$ 2,220,797

C. Fair Value of Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value.

Redevelopment Agency of the City of San Bruno
Notes to Basic Financial Statement, Continued
For the year ended June 30, 2004

3. INTERFUND ACTIVITY

Interfund activity for the year ended June 30, 2004 was as follows:

A. Due to Other City Funds

	Due to Other City Funds
Redevelopment Special Revenue	\$ 349,561
Total	\$ 349,561

B. Advances from Other City Funds

	Advances from Other City Funds
Redevelopment Special Revenue	\$ 1,629,000
Redevelopment Capital Projects	1,916,733
Total	\$ 3,545,733

The City's General Fund and Equipment Reserve Fund advanced the RDA Special Revenue Fund and RDA Capital Projects Fund \$1,629,000 and \$1,916,733, respectively for land use planning, traffic studies, and community development activities.

C. Due To and From Other Funds

	Due to other funds	
		Redevelopment Debt Service
Due from other funds		
Redevelopment Special Revenue	\$ 180,957	

D. Transfers In and Out

	Transfer In	
		Redevelopment Debt Service
Transfer Out		
Redevelopment Special Revenue	\$ 650,000	

Redevelopment Agency of the City of San Bruno
Notes to Basic Financial Statement, Continued
For the year ended June 30, 2004

4. CAPITAL ASSETS

The following is a summary of capital assets for governmental activities for the fiscal year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2004
Non-depreciable assets:					
Construction in progress	\$ 7,319,577	\$ -	\$ -	\$ (7,319,577)	\$ -
Total non-depreciable assets	7,319,577	-	-	(7,319,577)	-
Depreciable assets:					
Building and structures	-	54,000	-	9,846,000	9,900,000
Machinery and equipment	-	1,848	-	-	1,848
Total depreciable assets, at cost	-	55,848	-	9,846,000	9,901,848
Accumulated Depreciation					
Building and structures	-	(330,000)	-	-	(330,000)
Total accumulated depreciation	-	(330,000)	-	-	(330,000)
Total depreciable assets, net	-	(274,152)	-	9,846,000	9,571,848
Total capital assets, net	\$ 7,319,577	\$ (274,152)	\$ -	\$ 2,526,423	\$ 9,571,848

5. LONG-TERM DEBT AND AGREEMENT WITH CITY

2000 Certificates of Participation

During December 2000, the City issued \$9,600,000 in Certificates of Participation, Series 2000 for the construction of a police facility. Principal and interest payments are due semiannually on February 1 and August 1. The interest rate ranges from 5.25% to 7.00%.

The annual debt service requirements were as follows as of June 30, 2004:

Fiscal Year end	Principal	Interest	Total
2005	\$ 165,000	\$ 480,812	\$ 645,812
2006	180,000	469,262	649,262
2007	190,000	458,463	648,463
2008	200,000	449,438	649,438
2009	205,000	439,938	644,938
2010-2014	1,190,000	2,044,542	3,234,542
2015-2019	1,510,000	1,723,974	3,233,974
2020-2024	1,950,000	1,288,502	3,238,502
2025-2029	2,510,000	724,238	3,234,238
2030-2031	1,200,000	95,288	1,295,288
Total	\$ 9,300,000	\$ 8,174,457	\$ 17,474,457

Redevelopment Agency of the City of San Bruno
Notes to Basic Financial Statement, Continued
For the year ended June 30, 2004

5. LONG-TERM DEBT AND AGREEMENT WITH CITY, Continued

The Agency has agreed under a separate agreement to reimburse the City for all costs associated with the construction of the San Bruno/Bart Police Station including all debt service costs. Accordingly, the \$9,300,000 is presented as long-term debt in the accompanying financial statements.

6. DEFICIT NET ASSETS

At June 30, 2004, restrictions of net assets were as follows:

Invested in capital assets, net of related debt	\$	271,848
Restricted net assets:		
Capital projects		1,600
Debt service		651,888
Community development		181,310
Unrestricted		(2,745,831)
Total net assets	\$	(1,639,185)

The unrestricted net assets had a deficit balance mainly due to liability from advances from City funds. The advances will be repaid with future property tax increment revenue.

7. RISK MANAGEMENT

The Agency is insured under the City which is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the City is insured through the Association of Bay Area Governments (ABAG). See the City's Comprehensive Annual Financial Report for disclosures related to risk management.

8. LITIGATION

The Agency was not a defendant in any lawsuits as of June 30, 2004.

Redevelopment Agency of the City of San Bruno
Notes to Basic Financial Statement, Continued
For the year ended June 30, 2004

9. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

Prior period adjustments were recorded to the Government-Wide Financial Statements to record capital assets and long-term debt in accordance with the implementation of GASB Statement No. 34 as of June 30, 2003 and to reflect adjustment made on the fund financial statements relating to land held for resale.

	Net Assets, as Previously Reported	Prior Period Adjustments		Net Assets, as Restated
		Capital Assets	Land held for resale	
Government-Wide Activities:				
Net assets	\$ (3,611,045)	\$ 2,526,423	\$ 151,480	\$ (933,142)
Total government-wide activities	\$ (3,611,045)	\$ 2,526,423	\$ 151,480	\$ (933,142)

B. Fund Financial Statements

Prior period adjustments were recorded to the fund financial statements to adjust for land held for resale value to more accurately reflect the transaction in prior years.

	Fund Balance, as Previously Reported	Prior Period Adjustments Land Held for Resale	Fund Balance, as Restated
Major Fund:			
Redevelopment Special Revenue	\$ (1,082,526)	\$ 151,480	\$ (931,046)
Total government-wide activities	\$ (1,082,526)	\$ 151,480	\$ (931,046)

REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of San Bruno

Required Supplementary Information

For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING

It is the Agency's policy to adopt biennial budgets. Operating and special revenue budgets are adopted in one year. The Agency Board may amend the budget by motion during the fiscal year. The Executive Director is authorized to transfer budgeted amounts within an activity, within any fund. However, any revisions that alter total expenditures of any fund must be approved by the Agency Board.

Expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at the end of the fiscal year, except for capital projects. Supplemental appropriations, which increase appropriations, may be made during the fiscal year.

Budget information is presented for governmental fund types on a basis consistent with generally accepted accounting principles. Budgeted revenue and expenditure amounts represent the original budget modified for adjustments during the year.

The Agency did not budget for the San Bruno/Bart Police Station Capital Projects Fund.

Redevelopment Agency of the City of San Bruno
Required Supplementary Information, Continued
For the year ended June 30, 2004

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Redevelopment Special Revenue Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 475,000	\$ 475,000	\$ 610,944	\$ 135,944
Other	-	-	357	357
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>611,301</u>	<u>136,301</u>
EXPENDITURES:				
Current:				
Community development	<u>841,740</u>	<u>841,740</u>	<u>445,043</u>	<u>396,697</u>
Total expenditures	<u>841,740</u>	<u>841,740</u>	<u>445,043</u>	<u>396,697</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(366,740)</u>	<u>(366,740)</u>	<u>166,258</u>	<u>532,998</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of Loan/Advance	970,000	970,000	-	(970,000)
Transfers out	<u>(650,000)</u>	<u>(650,000)</u>	<u>(650,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>320,000</u>	<u>320,000</u>	<u>(650,000)</u>	<u>(970,000)</u>
Net change in fund balances	<u>\$ (46,740)</u>	<u>\$ (46,740)</u>	<u>(483,742)</u>	<u>\$ (437,002)</u>
FUND BALANCES:				
Beginning of year, as restated			<u>(931,046)</u>	
End of year			<u>\$ (1,414,788)</u>	

Redevelopment Agency of the City of San Bruno
Required Supplementary Information, Continued
For the year ended June 30, 2004

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Low/Moderate Income Special Revenue Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 222,400	\$ 222,400	\$ 318,367	\$ 95,967
Total revenues	<u>222,400</u>	<u>222,400</u>	<u>318,367</u>	<u>95,967</u>
EXPENDITURES:				
Current:				
Community development	<u>282,218</u>	<u>282,218</u>	<u>248,225</u>	<u>33,993</u>
Total expenditures	<u>282,218</u>	<u>282,218</u>	<u>248,225</u>	<u>33,993</u>
Net change in fund balances	<u>\$ (59,818)</u>	<u>\$ (59,818)</u>	70,142	<u>\$ 61,974</u>
FUND BALANCES:				
Beginning of year			<u>111,168</u>	
End of year			<u>\$ 181,310</u>	

Redevelopment Agency of the City of San Bruno
Required Supplementary Information, Continued
For the year ended June 30, 2004

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Redevelopment Debt Service Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 4,302	\$ 4,302
Total revenues	-	-	4,302	4,302
EXPENDITURES:				
Debt service:				
Principal	155,000	155,000	155,000	-
Interest and fiscal charges	491,700	491,700	486,303	5,397
Total expenditures	646,700	646,700	641,303	5,397
REVENUES OVER (UNDER) EXPENDITURES	(646,700)	(646,700)	(637,001)	(1,095)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	650,000	650,000	-
Total other financing sources (uses)	-	650,000	650,000	-
Net change in fund balances	<u>\$ (646,700)</u>	<u>\$ 3,300</u>	12,999	<u>\$ (1,095)</u>
FUND BALANCES:				
Beginning of year			457,932	
End of year			<u>\$ 470,931</u>	

Redevelopment Agency of the City of San Bruno
Required Supplementary Information, Continued
For the year ended June 30, 2004

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Redevelopment Capital Projects Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
EXPENDITURES:				
Capital outlay	\$ 641,248	\$ 641,248	\$ 144,215	\$ 497,033
Total expenditures	<u>641,248</u>	<u>641,248</u>	<u>144,215</u>	<u>497,033</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of Loan/Advance	827,533	827,533	-	(827,533)
Total other financing sources (uses)	<u>827,533</u>	<u>827,533</u>	<u>-</u>	<u>(827,533)</u>
Net change in fund balances	<u>\$ (641,248)</u>	<u>\$ (641,248)</u>	(144,215)	<u>\$ (330,500)</u>
FUND BALANCES:				
Beginning of year			(1,266,216)	
End of year			<u>\$ (1,410,431)</u>	

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of Governing Board
of the Redevelopment Agency of the City of San Bruno
San Bruno, California

We have audited the basic financial statements of the Redevelopment Agency of the City of San Bruno (Agency), a component unit of the City of San Bruno (City), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 22, 2005. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements of the Agency are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Agency Board, management and the State Controller. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Oakland, California
February 22, 2005

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